



Monthly Bulletin

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Non-Traditional Mortgage Survey Results

In September 2007 the Department of Financial Institutions (DFI) sent a survey to all 417 bank and credit union licensees requesting information on non-traditional mortgage products as of August 31, 2007. The purpose of the survey was twofold: to determine financial institution risk to non-traditional mortgage loans held; and to answer questions raised by the Senate Banking, Finance, and Insurance Committee members with regard to non-traditional loan types, delinquencies, foreclosures and renegotiated loans.

The results of the survey show 18% of all banks (40 banks) and 45% of all credit unions (89 credit unions) hold non-traditional mortgage products.

The total dollar amount of non-traditional mortgage products held by the licensees is \$7.1 billion, which represent 28,000 loans. Banks hold \$4.1 billion (14,012 loans) and credit unions hold \$3.0 billion (13,698 loans). For banks, the total dollar volume of non-traditional mortgage products represents 2.5% of their total loan portfolio, and for credit unions 6.1% of their total loan portfolio.

The survey shows the breakdown of the types of non-traditional mortgage products.

Of the \$7.1 billion, \$3.3 billion are interest-only loans, \$2.4 billion in reduced documentation loans, \$0.4 billion simultaneous second liens, \$0.1 billion in payment option ARMs, and \$0.9 billion in other.

The survey looked at loan delinquencies. Of the \$7.1 billion in loans, \$641 million (3,585 loans), or 9.0% were delinquent 90 or more days or in the process of foreclosure.

The survey gathered year to date information on foreclosures, short-sales and loan rewrites and workouts. For 2007, for the period through August 31, loans totaling \$137 million (456 loans) were either foreclosed or were short-sales, in which the licensees incurred losses of \$29 million. During this same period 3,488 loans with a dollar volume of \$599 million were renegotiated.

Finally, the survey looked at licensee involvement with loan servicing, which found that 9.3% of the banks and credit unions (39) engage in providing loan servicing for \$27 billion in loans not on their books. Only one institution services a large portfolio, or \$19 billion of the total \$27 billion in loan servicing. The other institutions generally service FNMA and Freddie Mac loans and follow their specific guidelines for dealing with defaulted mortgages and loss mitigation. Financial institutions, as servicers for holders of mortgage debt must work within the legal confines of the applicable Pooling and Servicing Agreements or other servicing documents related to the securitization and servicing of mortgage loans.

The detailed results of the non-traditional mortgage survey are [attached](#). If you have any questions, please do not hesitate to contact Kristine De Young at kdeyoung@dfi.ca.gov, or by telephone at (916) 324-7488.

Highlights of 2007 State Chaptered Legislation

Attached is [Highlights of 2007 State Chaptered Legislation](#). This summary is a compendium of most but not all of the legislation that may have an impact on financial institutions. There is a brief description of each measure with a link to the chaptered version of that legislation.

We hope you find the “2007 Highlights of State Chaptered Legislation” to be a productive tool. We encourage any suggestions you may have to improve its usefulness to you and your organization.

Conservation of Cal State 9 Credit Union

On Friday, November 2, 2007, the Interim Commissioner of Financial Institutions took possession of Cal State 9 Credit Union and ordered that it be conserved. The Interim Commissioner then appointed the National Credit Union Administration (“NCUA”), as Conservator, and the NCUA accepted the appointment.

Deputy Commissioner Elizabeth Dooley Announces her Departure

Elizabeth Dooley will leave the Department of Financial Institutions (DFI) effective November 30, 2007. Ms. Dooley has accepted the position of President/CEO at Educational Employees Credit Union in Fresno, California. Ms. Dooley came to DFI in 2000 from the California Credit Union League, where she served as associate counsel.

Beverly Ryan, Assistant Deputy Commissioner will serve as DFI’s Acting Deputy Commissioner for Credit Unions. Ms. Ryan can be reached at (415) 263-8560 or by email at bryan@dfi.ca.gov.

Premium Finance Company Assessment

In accordance with Financial Code Sections 18350, 18351, and 18352, the Commissioner of Financial Institutions assessed all California insurance premium finance companies in order to fund the operations of the Department of Financial Institutions in administering the laws relating to insurance premium finance companies. Invoices for the assessment were mailed on November 30, 2006. The assessment must be paid in full by December 20, 2007.

For the purposes of this assessment, the base rate is set at 0.0152257218337088% percent of each insurance premium finance company's total assets. The amount of the assessment on each insurance premium finance company is calculated in accordance with Financial Code Sections 18350 and 18351. The minimum amount for any institution is \$250. For purposes of calculating the assessment, the total assets of each insurance premium finance company have been determined as of December 31, 2006.

Changes to the Money Transmitter Law

Chapter 14 of the Financial Code, Transmission of Money Abroad, was amended by AB 1508, which was approved by the Governor on September 26, 2007 and becomes effective on January 1, 2008 as Chapter 242 ("the Act"). Following is a summary of key amendments:

Agents and Branches

The last day DFI will accept agent or branch applications is December 31, 2007.

Beginning January 1, 2008, licensees do not need to obtain authorization by the Commissioner to appoint an agent. Instead, the licensee is required to conduct a review of the proposed agent's fitness to act as an agent and determine that the proposed agent is of "good character," "sound financial standing," and must maintain records of this review for three years after the agent relationship is terminated. The Act retains the prohibition against an agent of a licensee appointing a subagent to receive transmission money.

Also, beginning January 1, 2008, licensees are no longer required to obtain approval of the Commissioner to establish or change the address of a branch office. However, the Act requires the licensee, at the end of each calendar quarter, to file with the Commissioner a report containing, among other things, the current status and address of each agent and branch office in this state.

New Requirement – Maintenance of Eligible Securities

Beginning January 1, 2008, licensees must own at all times eligible securities specifically listed in the statute in an amount not less than the aggregate amount of all outstanding transmission money received by the licensee. The licensee is also required to file, at the end of each calendar quarter, a report containing, among other things, the volume of transmission money received, a schedule of eligible securities, balance sheets and income statements and other financial reports.

Receipt Forms

The Act prohibits a new licensee from using receipt forms until approved by the Commissioner. The Act requires a licensee to file a certified copy of its receipt form within 10 business days of its first use and requires the Commissioner to notify the licensee if the receipt form does not comply with specified requirements.

New Enforcement Powers for the Commissioner

The Act authorizes the Commissioner, when necessary to protect the public, to issue an order immediately revoking or suspending that licensee's license and specifies procedures for a hearing following the issuance of such an order. The Act also gives the Commissioner the authority to revoke or suspend a license, after notice and opportunity for hearing, for a violation of any state or federal law (such as the Bank Secrecy Act) that reasonably applies to the conduct of the licensee.

The text of the AB 1508 amendments can be viewed at http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_1501-1550/ab_1508_bill_20070926_chaptered.html

Commercial Bank Activity

New Bank

Banco del Tepeyac
2629 Clarendon Avenue, Huntington Park, Los Angeles County
Correspondent: Maryam Hamzeh
Carpenter & Company
5 Park Plaza, Suite 950
Irvine, CA 92614
(949) 261-8888
Approved: 11/14/07

Bank of Feather River
1227 Bridge Street, Yuba City, Sutter County
(530) 755-3700
Officers: Richard J. Veale, President and Chief Executive Officer
Adam Fasani, Chief Credit Officer
Capitalization: \$8,000,000.00
Website: <http://www.bankoffeatherriver.com>
Opened: 11/6/07

Bank of the Pacific
17785 Center Court Drive, Cerritos, Los Angeles County
Correspondent: Gary Steven Findley
Gary Steven Findley & Associates
1470 North Hundley Street
Anaheim, CA 92806
(714) 630-7136
Withdrawn: 11/2/07

New Bank (Continued)

Global Trust Bank
700 El Camino Real, Mountain View, Santa Clara County
Correspondent: Russell W. Bushore
Carpenter & Company
5 Park Plaza, Suite 950
Irvine, CA 92614
(949) 261-8888
Filed: 11/7/07

SoCal Interim Bank
199 South Los Robles Avenue, Pasadena, Los Angeles County
Correspondent: John F. Stuart
Reitner, Stuart & Moore
1319 Marsh Street
San Luis Obispo, CA 93401
(805) 545-8590
(In connection with the merger of Professional Business Bank, Pasadena, with and into SoCal Interim Bank, Pasadena)
Opened: 11/23/07

Partners Bank of California
27201 Puerta Real, Mission Viejo, Orange County
949-732-4000
L. Bruce Mills, President/CEO
Ting Lau, Executive Vice President/CCO
Diana A. Sherwood, Executive Vice President/CFO
Website: www.partnersbankca.com
Capitalization: \$18,966,680
Opened: 11/16/07

Merger

Placer Sierra Bank, Auburn, California, to merge with and into Wells Fargo Bank, N.A., Sioux Falls, South Dakota
Effected: 9/22/07

Professional Business Bank, Pasadena, to merge with and into SoCal Interim Bank, Pasadena, with a change of name to Professional Business Bank
Effected: 11/23/07

Change of Name

Conekta Bank (In Organization), Chula Vista to Vibra Bank (In Organization)
Effected: 11/8/07

Purchase of Partial Business Unit

County Bank, Merced, California, to acquire the California branches of National Bank of Arizona, Tucson, Arizona
Effected: 11/2/07

Industrial Bank Activity**Conversion to State Charter**

Home Bank of California, Tustin, to convert to a state-chartered commercial bank
Filed: 11/13/07

Premium Finance Company Activity**New Premium Finance Company**

1st Choice Premium Financing, Inc.
6715 N. Palm Avenue, City and County of Fresno
Approved: 11/29/07

Coastal Premium Finance Corp.
4201 Long Beach Boulevard, Long Beach, Los Angeles County
Approved: 11/5/07

Voluntary Surrender of License

BCIC Premium Finance Company
Effected: 11/29/07

JLJ Premium Finance Corporation
Effected: 11/8/07

Zurich Premium Finance Company of California
Effected: 11/21/07

Foreign (Other State) Bank Activity**New Facility**

Celtic Bank
31255 Cedar Valley Drive, Westlake Village, Los Angeles County
Notified: 11/13/07

Credit Union Activity

Field of Membership

Two credit union received approvals to add six new fields of membership during October 2007.

Bylaw Amendment

Two credit unions received approvals for two bylaw amendments during October 2007.

Transmitter of Money Abroad Activity

New Transmitter

Trans-Fast Remittance, Inc.

Filed: 11/7/07

Acquisition of Control

Coinstar E-Payment Services, Inc., to acquire control of GroupEx Financial Corporation

Approved: 11/9/07

CAROL D. CHESBROUGH

Interim Commissioner of Financial Institutions

Bulletin for Month ended
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to Financial Code section 258

